

Message Text

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LIMITED OFFICIAL USE RIO DE JANEIRO 0247

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SUBJECT : CODEL REUSS MEETINGS IN RIO ON JANUARY 9 AND 10

SUMMARY: HIGHLIGHT OF CODEL'S RIO VISIT WAS MEETING WITH PRESIDENT OF BNDE. OTHER ACTIVITIES INCLUDED BRIEFING BY CHARGE AND BY IDB REPRESENTATIVE, RECEPTION HOSTED BY CONSUL GENERAL, VISIT TO IDB-FINANCED TRAINING CENTER AND A PRESS CONFERENCE. END SUMMARY.

1. CODEL REUSS (LED BY CONGRESSMAN MOORHEAD) MET WITH MARCOS PEREIRA VIANA, PRESIDENT OF THE BANCO NACIONAL DE DESENVOLVIMENTO (BNDE) ON JANUARY 10. DR VIANA REVIEWED BRAZIL'S ECONOMIC PERFORMANCE DURING HIS TENURE AS PRESIDENT OF BNDE (7 YEARS) WITH SPECIAL EMPHASIS ON POLICY MEASURES TAKEN TO MEET THE BALANCE OF PAYMENTS CRISIS CAUSED BY THE OIL PRICE INCREASE. HE DESCRIBED 1977 AS AN EXCELLENT YEAR IN TERMS OF BRAZIL'S ECONOMIC POLICY GOALS, I.E., A SMALL, POSITIVE TRADE BALANCE, GDP GROWTH IN THE 5.5 TO 6 PERCENT RANGE (LATER IN THE WEEK THE PLANNING MINISTRY ANNOUNCED A PRELIMINARY GDP GROWTH FIGURE OF 5.03 PERCENT) AND REDUCTION IN THE RATE OF INFLATION FROM 46 TO 38 PERCENT.

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2. VIANA THEN TURNED TO THE FUTURE AND OFFERED HIS PREDICTIONS FOR THE BRAZILIAN ECONOMY IN 1978. HE STATED THAT HIS PREDICTIONS, ALTHOUGH OPTIMISTIC, ARE REALISTIC. HE FORECAST GDP GROWTH OF 4.5 TO 5 PERCENT, INFLATION OF AROUND 30 PERCENT AND A POSITIVE TRADE BALANCE IN THE NEIGHBORHLLD OF 800 MILLION DOLLARS. HE WENT ON TO SAY THAT A POSITIVE TRADE BALANCE OF THIS MAGNITUDE COULD ONLY BE ACHIEVED BY

KEEPING IN PLACE BRAZIL'S EXTENSIVE SYSTEM OF IMPORT BARRIERS AND EXPORT INCENTIVES. HE SAID THAT HE CONTINUED TO BE AN ADVOCATE OF BRAZIL'S POLICY OF SUBSIDIZING EXPORTS AND RESTRICTING IMPORTS. VIANA ATTRIBUTED THE EXCELLENT TRADE BALANCE PERFORMANCE TO THOSE POLICIES AND THE IMPORT SUBSTITUTION PROGRAM. HE SINGLED OUT THE STEEL INDUSTRY EXPANSION AS A PARTICULARLY GOOD EXAMPLE OF THE LATTER POLICY IN WHICH BNDE HAD PLAYED AN IMPORTANT ROLE.

3. ON MONDAY, JANUARY 9, THE CODEL WAS BRIEFED BY CHARGE D'AFFAIRES AD INTERIM RICHARD E. JOHNSON WHO DISCUSSED THE POLITICAL AND ECONOMIC SITUATION AND BY WILLIAM A. ELLIS, THE INTERAMERICAN DEVELOPMENT BANK (IDB) REPRESENTATIVE IN BRAZIL, WHO DISCUSSED THE ECONOMIC SITUATION AND IDB'S ACTIVITIES HERE. IN THE EVENING THE GROUP ATTENDED A RECEPTION HOSTED BY CONSUL GENERAL JOHN B. DEXTER. IN ADDITION TO THE JANUARY 10 MEETING WITH MARCOS VIANA, THE CODEL VISITED AN AUTO MECHANICS TRAINING CENTER WHICH WAS PARTIALLY FINANCED BY IDB AND HELD A PRESS CONFERENCE WHICH ATTRACTED A LARGE NUMBER OF PRINT AND BROADCAST JOURNALISTS (CLIPPINGS ARE BEING POUCHED).
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